

Yanbu National Petrochemical Co. (Yansab)

Q4 2016

Recommendation

Neutral

Fair Value (SAR)

54.00

Price as of January 10, 2017

55.25

Expected Return

-2.2%

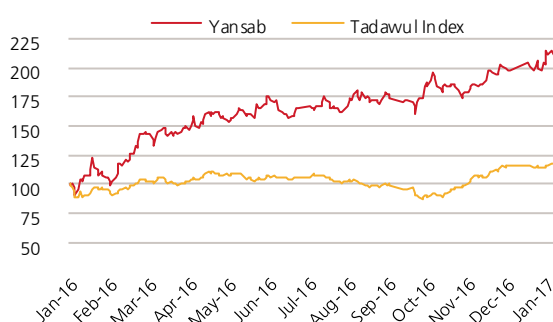
Company Data

Tadawul Symbol	2290.SE
52 Week High (SAR)	58.00
52 Week Low (SAR)	23.80
YTD Change	2.28%
3-Month Average Volume (Thousand Shares)	509
Market Cap. (SAR Million)	31,078
Market Cap. (USD Million)	8,287
Outstanding Shares (Million Shares)	562.5

Major Shareholders (> 5%)

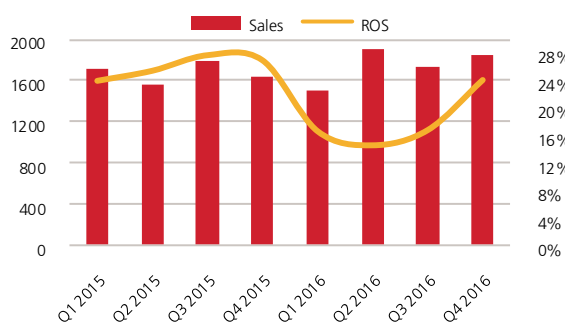
Saudi Basic Industries Corp. (SABIC)	51.00%
General Organization for Social Insurance	11.92%

52-week Stock Price Movement



Source: Tadawul

Quarterly Sales (SAR mn) and ROS



Source: Company Filings, Albilad Capital Research Estimates

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Yanbu National Petrochemical Company (Yansab) announced that its net income robustly soared to SAR 603 million for Q4 2016 edging up 53.3% YoY, while it dropped by 0.8% QoQ, thus concluding the year with net earnings of SAR 2,301.6 million skyrocketing 90.6% YoY.

Gross profit culminated at SAR 676.9 million in Q4 2016 increasing by 26% YoY while declining 3.9%QoQ. FY16 gross profit amounted to SAR 2,697.7 million, up 53.5% YoY.

Operating profit (EBIT) came in at SAR 618.5 million in Q4 2016 shifting up 29.3% YoY while dropping 5.7%. Moreover, FY16 EBIT reached SAR 2,486.7 million, up 61.5%

Yansab's sales came in at SAR 1,849.3 million in Q4 2016, increasing 1% YoY. Thus concluding the year with sales of SAR 6,970.7 million, increasing 0.86% compared to 2015.

The table below depicts the price changes in the company's basket of products.

Commodity Prices (US\$/Ton)	Q4 2016	Q4 2015	YoY	Q3 2016	QoQ
Polypropylene (SE Asia)	1,031	921	%12	1,000	%3
Polyethylene - High Density (SE Asia)	1,148	1,145	%0.3	1,150	(%0.2)
Polyethylene - Low Density (SE Asia)	1,256	1,146	%10	1,189	%6
Benzene (Far East - Japan)	723	604	%20	642	%13
Mono Ethylene Glycol (SE Asia)	726	614	%18	627	%16

According to the earning release, the increase in net profit in Q4 2016 compared to the same period last year is attributable to the increase in average sales price for some of the products and the decrease in slow movement spare parts provision, in addition to the increase in Murabaha investment and the decrease in financial charges, despite the increase in some of feedstock prices. While, the decline in net profit compared to the previous quarter is attributable to the increase in feedstock average price.

In general, the results were fairly close to our estimate of SAR 635 million and the analysts' consensus of SAR 627 million. The gross profit margin in Q4 2016 is 37% versus 29% in the same period last year, but we believe that gross profit margin will decrease in future due to the increase in feedstock prices, where the grace period for the propane has expired at the end of the second quarter of 2016 and the grace period for the ethane ended at the end of Q4 2016. As a result, we expect to see the impact early next year.

According to Q4 results, in addition to recent improvements in sales prices, we keep our fair value at SAR 54 per share with "Neutral" recommendation.

FY - Ending December	2014A	2015A	2016A	2017E
EV/EBITDA	7.98	11.93	7.99	7.52
EV/Sales	3.46	4.59	4.31	3.98
P/E	12.54	25.74	13.49	12.90
Dividend Yield	5.4%	3.6%	4.5%	5.0%
P/BV	2.00	2.02	1.90	1.79
P/Revenue	3.27	4.50	4.49	4.39
Revenue Growth	1.7%	-27.3%	0.2%	2.2%

Source: Company Filings, Albilad Capital Research Estimates

Income Statement (SAR mn)	2013A	2014A	2015A	2016E*	2017F
Sales	9,353.6	9,511.0	6,911.4	6,970.7	7,075.5
COGS	5,048.8	5,135.8	4,033.5	2,970.3	3,106.2
SG&A	231.9	244.3	217.5	217.9	222.7
EBITDA	4,073.0	4,130.9	2,660.4	3,735.6	3,746.7
EBITDA Margin	%43.5	%43.4	%38.5	%54.0	%53.0
Depreciation and amortization	1,080.1	1,288.2	1,120.3	1,099.3	1,103.7
EBIT	2,992.9	2,842.7	1,540.1	2,486.7	2,642.9
Net interest income	(260)	(224)	(182)	(172)	(70)
Others	29.15	11.09	25.89	25.94	26.51
Pre-Tax and Zakat Income	2,762.2	2,630.1	1,383.6	2,490.2	2,599.6
Tax and Zakat	117.6	152.3	176.3	186.8	191.1
Net Income	2,644.7	2,477.7	1,207.3	2,301.6	2,408.5
ROS	%28.3	%26.1	%17.5	%33.0	%34.0

Balance Sheet (SAR mn)	2013A	2014A	2015A	2016E	2017F
Cash and Marketable securities	2,106.2	2,691.4	679.0	1,973.4	2,437.3
Short Term Investments	915.0	963.8	2,733.7	1,848.7	1,615.3
Inventory	1,119.1	1,315.7	825.5	935.2	926.5
Others	2,641.6	2,525.4	2,089.4	1,971.3	2,014.5
Total ST Assets	6,781.9	7,496.3	6,327.6	6,728.6	6,993.6
Net Fixed Assets	15,623.4	14,637.8	14,356.9	13,576.9	12,851.7
Intangible Assets	304.9	144.2	80.5	68.8	49.6
Others	190.6	189.2	203.3	194.4	195.6
Total LT Assets	16,118.8	14,971.2	14,640.7	13,840.0	13,096.9
Total Assets	22,900.8	22,467.4	20,968.3	20,568.6	20,090.5

Short Term Debt and CPLTD	1,298.4	1,462.4	1,464.0	1,464.0	932.1
Accounts Payable	145.1	222.3	40.6	40.7	41.6
Others	730.5	970.5	1,267.8	1,243.0	1,240.1
Total ST Liabilities	2,174.0	2,655.3	2,772.4	2,747.7	2,213.7
Total Long Term Debt	5,522.6	4,060.2	2,596.1	1,132.1	200.1
Other Non-Current Liabilities	160.80	199.70	247.70	298.86	354.88
Equity	15,043.3	15,552.3	15,352.0	16,389.8	17,321.8
Total Liabilities and Equity	22,900.8	22,467.4	20,968.3	20,568.6	20,090.5

Cash Flow (SAR mn)	2013A	2014A	2015A	2016E	2017F
Cash flow from Operations	3,620.7	4,036.4	3,431.3	3,609.6	3,601.6
Cash flow from Financing	(1,839.8)	(3,260.5)	(2,866.1)	(2,901.6)	(3,010.4)
Cash flow from Investing	(204.5)	(190.7)	(2,577.6)	586.4	(127.2)
Change in Cash	1,576.4	585.3	(2,012.4)	1,294.3	463.9
Ending Cash	2,106.2	2,691.4	679.0	1,973.4	2,437.3

Source: Company Filings, Albilad Capital Research Estimates

Presentation of financial statements may differ from the company's presentation. However, there is no impact on the final results.

*Estimated numbers except for sales, EBIT and Net income.

Albilad Capital Rating Methodology

Al-Bilad Capital uses its own evaluation structure, and its recommendations are based on quantitative and qualitative data collected by the analysts. Moreover, the evaluation system places covered shares under one of the next recommendation areas based on the closing price of the market, the fair value that we set and the possibility of ascent/descent.

Overweight:	The Target share price exceeds the current share price by $\geq 10\%$.
Neutral:	The Target share price is either more or less than the current share price by $< 10\%$.
Underweight:	The Target share price is less than the current share price by $\geq 10\%$.
To be Revised:	No target price had been set for one or more of the following reasons: waiting for more analysis, waiting for detailed financials, waiting for more data to be updated, major change in company's performance, change in market conditions or any other reason from Albilad Capital Research.

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